THE WORLD BANK
Treasury

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
WORLD BANK

THE WORLD BANK AND OTHER
TRIPLE-A SUPRANATIONALS

FACT SHEET

Why care about Supranationals?

Shrinking supply of GSEs The universe of liquid triple-A bond issuers available to US investors has reduced dramatically and the issuance by government sponsored enterprises (GSEs) - such as Fannie and Freddie - is shrinking.

Investment in safe haven assets Investors now need alternative investment choices that allow them to protect the credit quality and financial value of their portfolios, while still adding value to their portfolio performance goals.

Diversification of AAA portfolios The triple-A supranational, or “supra” sector is getting increased attention from portfolio managers and government investment officers in the US who have the fiduciary responsibility to protect the high credit quality of their portfolios, while offering their constituents a stable return or their budgets more income than possible from the US Treasury market.

How Supras & GSEs compare

Similarities Although supranationals cannot replace US agencies in terms of volume, they are an asset class that satisfies many requirements for US investors with conservative portfolios. These include

- USD borrowers: supranationals based in the US with mostly USD-based lending will rely more on funding in USD
- SEC exemptions: supranationals with the US as a major shareholder may benefit from exemptions that are similar to those for Fannie and Freddie
- debt products/pricing: Some supras offer US$ callables and FRNs comparable to agencies
- bond features: supras share other features specific to bonds issued by the US agencies and US Treasury bonds, like settling USD benchmark bonds through Fedwire.*

Differences In addition to a smaller funding program compared to GSEs, some of the other basic differences include (but are not limited to)

- mission: Supras are charged with a global development mandate to help reduce poverty and improve standards of living.
- lending limits: Supras have strict lending limits, including cannot lend more than their capital plus reserves.
- sponsorship: Supras have the backing of a board of many governments of which the US is usually a major shareholder.

* Other supranationals who do not have the US as a major shareholder may still issue bonds in the US market, but they may clear these bonds through DTC rather than Fedwire and they would issue them under fully SEC registered documentation.

What is a Supranational?

Supranationals are international organizations owned by many different countries – like 189 countries for the World Bank– that operate under conservative financial policies.

The main purpose of supranationals is to work with member countries in different areas and help them reach their development goals in an environmentally and socially sustainable way.

Supranationals as issuers Sometimes referred to as Multilateral Development Banks, or MDBs, supranationals fund their activities by borrowing in the international capital markets.

Key features which supras share include

- Triple-A rated
- 0% risk weighting with Basle II and III
- Liquid bonds are considered level 1 HQLA (high quality liquid assets).
- Financial strength based on
  - quality loan portfolio (preferred creditor status)
  - conservative risk management
  - substantial liquidity and consistent profitability
  - strong capitalization
  - diversified, sovereign shareholders
- Issuers of US$ global benchmarks
- Issuers of only senior, unsecured debt
- Benchmark bonds included in major USD and global indices

Supranationals are part of the “Sovereign Supranational and Agency” sector (SSAs) that bankers often refer to. The SSA borrower class is often discussed together by market professionals, but even within the SSA sector the credit for each issuer is different and should be carefully evaluated.

The US is one of the largest shareholders of most supranationals, including Asian Development Bank (ADB), European Bank for Reconstruction and Development Bank (EBRD), Inter-American Development Bank (IADB), International Finance Corporation (IFC), and the World Bank (IBRD).

THE WASHINGTON **SUPRAS**

The Washington Supras are the supranationals headquartered in Washington, DC and seem to be especially interesting for US investors with conservative investment strategies due to their triple-A credit, the fact that the US is their largest shareholder, and because they issue similar products to those issued by GSEs, like US$ benchmark bonds, callables and short-term discount notes.

These Washington Supras are the following:

- **International Bank for Reconstruction and Development (IBRD)**, known as "The World Bank", established in 1944. The World Bank's headquarters are in Washington, DC. It works with member countries to promote equitable and sustainable economic growth, by providing financing and risk management solutions directly to sovereign governments - globally. More information is provided below.
- **International Finance Corporation (IFC)**, part of the World Bank Group, created in 1956. Its headquarters are in Washington, DC. It provides investments and advisory services to build the private sector in developing countries.
- **Inter-American Development Bank (IADB)**, established in 1959. Its headquarters are in Washington, DC. It supports efforts by Latin America and the Caribbean countries to reduce poverty and inequality.

The World Bank main headquarters, Washington DC

SUPRA CASE STUDY: **THE WORLD BANK**

Development cooperative

The World Bank (International Bank for Reconstruction and Development, or IBRD) is an international organization owned by 189 countries. These shareholders are also its borrowers.

The World Bank provides development funding and consulting services directly to governments of "middle-income countries" like Mexico and Brazil, in areas such as education, health, environment, transportation, energy and infrastructure.

Issuer

To fund its international development activities, IBRD raises about US$40 billion a year in the capital markets through hundreds of bond transactions offered to investors around the world in different currencies, maturities and structures.

The World Bank is rated triple-A and has been issuing bonds in the capital markets for almost 70 years.

Financial Strength

The World Bank's high credit rating, strong balance sheet and conservative financial policies, and shareholder support, make World Bank bonds an attractive investment for many official sector and other investors who, like central banks, are looking for high quality assets.

The United States and the World Bank

The relationship between the US government and the World Bank is most similar to that between the government and an instrumentality.

The US Secretary of the Treasury sits on the World Bank's Board of Governors, the World Bank's highest governing body.

The World Bank is treated as an "exempt issuer" under the US securities laws since 1949 in recognition of its status as an international organization in which the U.S. is the largest shareholder (with about 16.5%).

The United States' membership in the World Bank was authorized by a federal statute known as the Bretton Woods Agreements Act (22 U.S.C. 286 et seq.)

The World Bank looks forward to continuing to provide support to US investors so that they may consider supranationals when looking for safe investments.

A list of World Bank bonds and details on World Bank Discount Notes can be found on Bloomberg under (IBRD <Go> or IBRD <GOVT> <Go>).

More information for investors on World Bank bonds and a list of recent bonds showing financial distributors of our bonds is available at: http://treasury.worldbank.org/capitalmarkets

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